



State of Wisconsin • DEPARTMENT OF REVENUE

DIVISION OF STATE AND LOCAL FINANCE • BUREAU OF PROPERTY TAX • MADISON, WI

ADDRESS MAIL TO:

Area 6-97
2135 Rimrock Road, 6th Floor • P.O. Box 8971
Madison, WI 53708-8971
TELEPHONE: (608) 261-5350
FAX: (608) 264-6897

November 28, 2007

Attorney Daniel G. Wood
407 Main Street
PO Box 98
Friendship, WI 53934

Dear Mr. Wood:

The Department of Revenue has reviewed the material you provided regarding the Oxford Fire District, including the memo from Rick Olin of the Legislative Fiscal Bureau to Representative J. A. "Doc" Hines. The levy limit statutes were amended by 2007 Wisconsin Act 20 (the State Budget) and provide that the limit otherwise applicable under that section of the statutes does not apply to several items. One of the items listed is "The amount that a political subdivision levies in that year to make up any revenue shortfall for the debt service on a revenue bond issued under s. 66.0621".

Section 66.0621 Wis. Stats., includes a definition of "municipality" that includes many entities, including a commission created by contract under s. 66.0301. Therefore, we agree that the Oxford Fire District may be able to incur debt by issuing revenue bonds.

However, the definition of "political subdivision" in sec. 66.0602(1)(c), Wis. Stats. is limited to a city, village, town and county. The many entities defined as "municipality" in sec. 66.0621, Wis. Stats., are not all subject to levy limits, only towns, villages, cities and counties. Since a commission created by contract under sec. 66.0301, Wis. Stats., namely, the Oxford Fire District, is not subject to local levy limits under sec. 66.0602, Wis. Stats., the revenue shortfall exception does not apply.

Sincerely,

Daniel A. Davis, Director
Bureau of Property Tax
Division of State and Local Finance

cc: Kenneth Schuck
Representative J.A. Hines



State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933
PHONE (608) 266-6466 • FAX (608) 266-5718 • <http://www.revenue.wi.gov>

Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Assembly Committee on Homeland Security and State Preparedness. February 26, 2008

2007 AB 869 – Regarding Expanding an Exemption to Local Levy Limits for Levies for Debts Incurred by a Joint Fire Department -- Representative Hines

Description of Current Law and Proposed Change

Under current law, for the tax levy imposed in December 2008, a municipality generally may not increase its levy by a percentage that is greater than 2% or the percentage increase in the municipality's equalized value due to net new construction. The law permits several exceptions and adjustments when calculating the limit, such as the cost of services transferred to or from another government, annexations of territory, debt service on debts authorized on or after July 1, 2005, and for revenue shortfalls on any municipal-issued revenue bond.

The bill creates a new exception to the municipal levy limit. Under this exception, revenue shortfalls on revenue bonds issued by a joint fire department that serves a municipality will qualify for the exemption if (a) the bonds were issued for the joint fire department, but the debt is ultimately the responsibility of the participating municipalities, (b) the joint fire department used the bond proceeds to pay for a fire station, and (c) the municipalities participating in the joint fire department are assessed their share of the debt service on the bonds.

Fairness/Tax Equity

- If a municipality borrows money to build a fire station, the debt service on the borrowing would be exempt from the levy limit. Under current law, the exemption does not apply to debt incurred by a joint fire department since the debt is not a direct debt of the municipality. The bill eliminates this difference in treatment.

Impact on Economic Development

- The bill has no impact on economic development.

Administrative Impact/Fiscal Effect

- The Department of Revenue (DOR) is aware of one joint fire department to which the bill would apply – the Oxford Fire District, which serves the Village of Oxford and Town of Oxford in Marquette County and the Town of Jackson in Adams County. There may be other joint fire departments to which the provisions of the bill will apply.
- The financial data collected by DOR from municipalities does not show the amount of debt for which a municipality could be liable due to bonds issued by a joint fire department. In addition, fire departments do not file financial statements with DOR. Although it is not

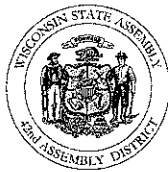
possible to estimate the additional property taxes that municipalities could impose if the bill were enacted, given the limitations on when the exception applies, the potential increase in statewide municipal property taxes is expected to be minimal. The bill may, however, have a distinct impact on specific municipalities.

- DOR administrative costs are expected to be minimal.

Contact: Sherrie Gates-Hendrix, (608) 267-1262

DH:kg

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J.A. HINES

STATE REPRESENTATIVE • 42ND ASSEMBLY DISTRICT

Testimony Before the Assembly Committee on Homeland Security and State Preparedness in Support of Assembly Bill 869 February 26, 2008

Good morning everyone. First, I would to thank Chairwoman Ballweg and fellow committee members for allowing me this opportunity to testify this morning in favor of Assembly Bill 869, which relates to expanding an exception in the local levy limits for debts incurred by a joint fire department.

To give a brief history, I was approached by the Oxford Fire District (which includes the Village and Town of Oxford, and the town of Jackson) recently with a concern regarding the building of the Fire District's new fire station.

In the recent state budget, the legislature included an exemption for revenue bonds from the levy caps for individual municipalities. It was the understanding of the Legislative Fiscal Bureau that this exception would apply to payments a municipality made to a joint fire department to pay off the revenue bonds. However, under the Department of Revenue's interpretation, this was not the case. Revenue stated since a joint fire department was not considered a "political subdivision," and not subject to the levy caps, the revenue exception for the municipalities in the district would not apply.

The original purpose of allowing the creation of joint fire departments was to allow municipalities to pool their resources together to save taxpayers money. However, if they need to build a new fire station, they would be better going at it alone, which means the municipalities are essentially being penalized by the state for trying to provide better fire coverage because they tried to save money.

Since it was the intent of the Legislature during the budget process to exclude these payments, this bill states that payments a municipality makes to a joint fire department to pay off a revenue bond held by a joint fire department for the construction of a fire station, would be exempt from the levy caps.

Again, I appreciate this opportunity to testify and I would ask you to support this bill and vote in favor of it when it comes before the committee. Thank you.





Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

October 25, 2007

TO: Representative J.A. Hines
Room 10 West, State Capitol

FROM: Rick Olin, Fiscal Analyst

SUBJECT: Levy Limit Provisions Related to Joint Fire Districts

At your request, this memorandum provides information regarding levy limit provisions in Enrolled Senate Bill 40 (the 2007-09 budget bill) that may affect three municipalities in your district that have formed a joint fire department.

The enrolled bill would extend and modify the levy limit program that was created by 2005 Wisconsin Act 25 (the 2005-07 budget). Generally, municipalities and counties would be prohibited from increasing their levies in 2007 and 2008 by a percentage that exceeds the greater of 2% or the change in the jurisdiction's tax base due to net new construction. Local governments would be permitted additional increases in their levies based on exclusions and adjustments in the enrolled bill.

The Village of Oxford and the towns of Oxford and Jackson have formed a joint fire district, named the Oxford Fire District, under the state's intergovernmental cooperation statute (s. 66.0301). This statute authorizes two or more municipalities to enter contracts for the joint exercise of powers or provision of services. Because state law does not authorize the fire district to raise revenue on its own, the district is funded through contributions from the three member municipalities based on a formula specified in their agreement that considers population, equalized value, and the number of fires in the last three years.

The enrolled bill authorizes two exclusions from the levy limitation that the three municipalities served by the Oxford Fire District may be able to utilize. The first exclusion would extend to charges assessed by a joint fire department to a municipality, subject to three provisions. First, the exclusion would extend only to the portion of the charge that causes the municipality to exceed its levy limit. The administration of this provision is subject to interpretation by the Department of Revenue (DOR). Second, the fire district's total charges cannot increase relative to

the prior year by more than the percentage change in the consumer price index plus 2%. For 2007 levies, this increase is estimated at 4.3% (2.3% + 2.0%). Third, the governing body of each municipality served by the fire district must adopt a resolution in favor of any other municipality exceeding its levy limitation.

The second exclusion would pertain to revenue bonds. Section 1899 of the enrolled bill would create s. 66.0602 (3) (e) 5., of the state statutes, which would exclude amounts levied to make up any shortfall for debt service on a revenue bond issued under s. 66.0621.

The Oxford Fire District is in the process of replacing its fire station and has secured financing from the rural development program operated by the United States Department of Agriculture (USDA). The intergovernmental agreement creating the Oxford Fire District authorizes the district to incur debt under the state's revenue obligation statute (s. 66.0621). The agreement indicates that debt obtained under the USDA program constitutes a revenue obligation under s. 66.0621. Because the fire district is not authorized to raise revenues except through contributions from its member municipalities, a revenue shortfall, as required under the enrolled bill, would occur relative to the USDA obligation. Therefore, it could be argued that the debt service on the obligation would qualify for exclusion from the levy limitation under section 1889 of the enrolled bill. It should be noted that the USDA obligation could be construed as a loan, as opposed to a bond, as specified in the enrolled bill. As a result, the member municipalities of the Oxford Fire District should consult with legal counsel and DOR before claiming the exclusion.

If you have any questions on this information, please let me know.

RO/bh